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Message Text

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INFO OCT-01 CCO-00 RSC-01 SS-15 SSO-00 ISO-00 /024 R

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C O N F I D E N T I A L STATE 099959

TOSEC 619, S/S FOR ATHERTON

FOLLOWING JIDDA 2613 SENT ACTION SECSTATE INFO RABAT MAY 13TH.

QUOTE:

C O N F I D E N T I A L JIDDA 2613

E.O. 11652: GDS
TAGS: MASS, EAID, SA, MO
SUBJECT: MOROCCAN REQUEST FOR ASSISTANCE IN FINANCING ARMS PURCHASES

SUMMARY: MOROCCO HAS REQUESTED DOLS 300 MILLION LOAN FROM SAG TO FINANCE ARMS PURCHASES FROM THE US. SAG COOL TO IDEA BUT CONSIDERING GUARANTEEING GOM LOAN IF THIS WILL MAKE TERMS SOFTER. SAUDIS HAVE REQUESTED THAT WE PROVIDE THEM WITH INFORMATION AS TO WHETHER AND HOW THIS CAN BE DONE. WE NEED THE INFORMATION BY COB MAY 15. END SUMMARY.

1. COLONEL AHMED DLIMI, CHIEF INTELLIGENCE ADVISOR OF KING HASSAN II OF MOROCCO, AND AHMED BENSOUDA, DIRECTOR OF THE ROYAL CABINET, VISITED RIYADH IN THE FIRST WEEK OF MAY TO REQUEST FROM KING FAYSAL A LOAN OF THREE HUNDRED MILLION DOLLARS WITH WHICH TO FINANCE THE PURCHASE OF MILITARY SUPPLIES FROM THE UNITED
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STATES.

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2. THE MOROCCANS TOLD THE SAUDIS THAT FINANCING ARRANGEMENTS TENTATIVELY SUGGESTED BY THE UNITED STATES GOVERNMENT WERE PROHIBITIVELY EXPENSIVE AND THAT THE ARMS PURCHASE COULD BE CONCLUDED ONLY IF SAUDI ARABIA WERE TO LOAN THE FULL THREE HUNDRED MILLION ON MUCH MORE GENEROUS TERMS.

3. SAG WHICH RECENTLY PRESENTED WITH MANY DEMANDS ON ITS RESOURCES, IS NOT INCLINED TO MAKE THE LOAN. SAG WOULD MUCH PREFER AN ARRANGEMENT, IN COOPERATION WITH THE USG, WHEREBY SAUDI ARABIA WOULD SIMPLY OFFER A GUARANTEE FOR THE FULL AMOUNT OF THE LOAN, ON THE BASIS OF WHICH THE USG OR INDEPENDENT FINANCIAL INSTITUTIONS WOULD OFFER TERMS MORE ACCEPTABLE TO THE MOROCCAN GOVERNMENT.

4. FURTHER DISCUSSIONS OF THIS SUBJECT WILL TAKE PLACE IN RABAT BEGINNING ON MAY 21, WHEN SAUDI ROYAL INTELLIGENCE ADVISOR KAMAL ADHAM RETURNS THE VISIT OF DLIMI AND BENSOUDA. ADHAM HAS ASKED US, IN THE MEANTIME, FOR ADVICE AND ASSISTANCE IN DEVISING A MUTUALLY SATISFACTORY FORMULA FOR A SAUDI GUARANTEE OF THE MOROCCAN LOAN.

5. ACTION REQUESTED: DEPARTMENT REQUESTED PROVIDE (A) PRECISE DESCRIPTION OF FINANCIAL ARRANGEMENTS DISCUSSED BETWEEN OURSELVES AND THE MOROCCANS, AND (B) COMMENTS ON LOAN GUARANTEE IDEA INCLUDING IF APPROPRIATE SUGGESTIONS ON HOW THE SAUDIS MIGHT PROCEED ALONG THE LINES THEY ARE TENTATIVELY CONSIDERING. AS ADHAM LEAVING FOR RABAT VIA CAIRO ON MAY 16 OR 17 NEED RESPONSE BY COB MAY 15.
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